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SUBJECT: DRC'S INPUT FOR 2006 PRESIDENT'S REPORT ON AGOA

REF: A. STATE 26707

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11. (U) Post submits the following in response to reftel A.

MARKET-BASED ECONOMY/ECONOMIC REFORM/TRADE BARRIERS

12. (U) The DRC's development of a market-based economy is slowly progressing. The exchange rate has floated freely for three years without significant government intervention, and it has been generally stable. Private sector development remains a key GDRC objective, in partnership with international financial institutions. This cooperation will likely result in the privatization or closure of many defunct, bankrupt or unprofitable parastatals. The GDRC is not meeting all of its IMF program budget targets, but the IMF remains committed to assisting with the DRC's transition.

13. (U) The DRC does not have any specific barriers against U.S. trade and investment. The GDRC has ratified key international intellectual property rights (IPR) conventions, but a weak judicial system often results in inadequate domestic IPR protection. The GDRC welcomes foreign investment in principle, although it is often difficult and time consuming to obtain final government project approval. Degraded infrastructure and complicated, opaque taxation schemes discourage investment. The GDRC, however, is working with the World Bank (WB) to improve the investment climate. New investment, mining, forestry, and labor codes provide modern legal foundations for doing business in the DRC, and their implementation continues on an ad hoc basis. Several multinational mining corporations, including one American-led consortium, signed joint venture agreements with DRC parastatals in 2005. The US-DRC Bilateral Investment Treaty (BIT) governs investment and trade disputes, although the DRC has yet to pay any arbitration awards entered in favor of American companies.

POLITICAL PLURALISM/RULE OF LAW/ANTI-CORRUPTION

14. (U) Political pluralism exists without government interference, although the multiplicity of factions in the nearly three-year old Transitional Government does not always produce productive dialogue. Representatives from numerous factions fill legislative and executive branch positions. A variety of print and electronic news sources provide a broad range of political debate. Presidential and parliamentary elections are due to occur by June 2006, and the installation of a democratically-elected government will bring the Transition to a close.

15. (U) The international community continues to support and encourage the GDRC to focus on implementing the rule of law and on combating corruption. The GDRC is working with bilateral and multilateral donors to develop capacity

building programs for the law enforcement and judicial sectors. The judicial sector is extremely weak, often corrupt, and due process is not regularly afforded, particularly in connection with pre-trial detention. International efforts to provide military and police training are improving the quality of Congolese law enforcement.

¶6. (U) The GDRC suffers from institutionalized corruption, which is difficult to overcome because of inadequate civil servant salaries and a lack of accountability under the Transitional Government. Multilateral and bilateral donors, including the U.S., fund anti-corruption efforts, as the GDRC has not yet established its own effective program or system. The WB, IMF and other donors continue to pressure the GDRC to reduce its number of ghost workers. Military, civil servant and teacher censuses are going to support this effort.

Poverty Reduction

¶7. (U) The GDRC has increased its level of pro-poor spending. The GDRC continues to work with the WB and IMF on its Poverty Reduction Strategy Paper (PRSP) and hopes to complete its first draft by the end of March 2006. The GDRC's 2006 budget includes at least USD 100 million in social spending and poverty reduction programs, made available primarily due to interim debt relief and external bilateral and multilateral donor budgetary and indirect support for humanitarian, reconstruction and rehabilitation projects.

Human Rights/Labor/Child Labor

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¶8. (U) The DRC has a mixed record on human rights and labor issues. Its human rights record remains poor, and a large number of the violations occur in eastern DRC, a region over which the government still does not exercise complete control. The GDRC has on occasion restricted freedom of speech, press, assembly, association and movement.

¶8. (U) The GDRC generally does not interfere with the activities of the 300-plus unions in the DRC, and it usually respects their right to strike. Unions are not normally influential enough to obtain regular, meaningful concessions from the government or the private sector. An estimated 80 to 90 percent of the Congolese workforce is in the informal sector, and therefore does not benefit from the nominal labor law protection. Many employers do not provide working conditions that meet Western health and safety standards, particularly in factories and mines.

¶9. (U) The GDRC has ratified key ILO Conventions against forced and child labor (Conventions 29, 105, 138 and 182). The 2002 Labor Code requires that workers be 16 and have completed primary school. However, child labor continues to be a problem, particularly in the mining and informal sectors, although NGOs pressure the government and employers on this issue.

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